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Lee's Pharmaceutical Holdings Limited

李氏大藥廠控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 950)

CONNECTED TRANSACTION PROVISIONS OF FINANCIAL ASSISTANCE

PROVISION OF FINANCIAL ASSISTANCE

On 28 May 2018, Lee's International, a wholly owned subsidiary of the Company, and COF entered into the Shareholder Loan Agreement, pursuant to which Lee's International and COF agree that Lee's International shall advance to COF a loan in the principal amount of HK\$5,000,000 at an interest rate of 4% per annum. The term of the Shareholder Loan shall be one year commencing from the Advance Date.

In addition, on 28 May 2018, Zhaoke Pharmaceutical GZ, a wholly owned subsidiary of the Company, and Zhaoke Guangzhou entered into the Loan Agreement, pursuant to which Zhaoke Pharmaceutical GZ and Zhaoke Guangzhou agree that Zhaoke Pharmaceutical GZ shall on 28 May 2018 advance to Zhaoke Guangzhou a loan in the principal amount of RMB3,700,000 at an interest rate of 5% per annum. The term of the Loan shall be one year commencing from the Loan Advance Date.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi are the Directors and substantial Shareholders who are connected persons of the Company. Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi hold a total of 90% equity interest in PCH and therefore, PCH is an associate of Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi, and is a connected person of the Company.

As at the date of this announcement, COF is a non-wholly owned subsidiary of the Company which was owned as to 65% by Lee's International (a wholly owned subsidiary of the Company) and 35% by PCH, which is a connected person of the Company. As PCH exercises and controls 10% or more of the voting power of COF, COF is a connected subsidiary of the Company under the Listing Rules. Accordingly, the Shareholder Loan advanced by Lee's International to COF and the Loan advanced by Zhaoke Pharmaceutical GZ to Zhaoke Guangzhou, a wholly owned subsidiary of COF, will constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The highest applicable percentage ratio for the provision of the Shareholder Loan by Lee's International, the Loan by Zhaoke Pharmaceutical GZ and the Previous Financial Assistance made by the Company (through its subsidiaries), on a standalone and on an aggregated basis, does not exceed 5%. Therefore, in accordance with Rule 14A.76(2) of the Listing Rules, the provision of the Shareholder Loan by Lee's International and the Loan by Zhaoke Pharmaceutical GZ are only subject to the reporting and announcement requirements and are exempt from the circular (including independent financial advice) and shareholders' approval requirements of the Listing Rules.

Reference is made to the announcements of the Company dated 13 June 2016, 25 April 2017, 26 April 2017, 13 June 2017, 29 December 2017 and 24 April 2018 in relation to the Previous Financial Assistance.

PROVISION OF FINANCIAL ASSISTANCE

On 28 May 2018, Lee's International, a wholly owned subsidiary of the Company, and COF entered into the Shareholder Loan Agreement, pursuant to which Lee's International and COF agree that Lee's International shall advance to COF a loan in the principal amount of HK\$5,000,000 at an interest rate of 4% per annum. The term of the Shareholder Loan shall be one year commencing from the Advance Date.

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Details of the Shareholder Loan Agreement and the Loan Agreement are as follows:

SHAREHOLDER LOAN AGREEMENT

Date 28 May 2018

Parties (1) Lee's International, a wholly owned subsidiary of the Company, as lender; and
(2) COF, as borrower.

Subject Matter

Lee's International and COF agree that Lee's International shall advance to COF the Shareholder Loan in the principal amount of HK\$5,000,000 at an interest rate of 4% per annum. The term of the Shareholder Loan shall be one year commencing from the Advance Date.

Principal amount of the Shareholder Loan

HK\$5,000,000

Interest rate

The rate of interest applicable to the Shareholder Loan shall be 4% per annum, which is determined with reference to the prevailing interest rate in the market.

Interest on the Shareholder Loan accrued and calculated for the period commencing on the Advance Date up to (but excluding) the Shareholder Loan Repayment Date shall be payable on the Shareholder Loan Repayment Date.

Term

Subject to early repayment as provided in the Shareholder Loan Agreement, the term of the Shareholder Loan shall be one year commencing from the Advance Date.

Repayment schedule

COF shall repay the Shareholder Loan together with all interests accrued, on the expiry date of the Shareholder Loan Term.

COF shall have the right to make early repayment on the Shareholder Loan, together with the interests accrued, at any time during the Shareholder Loan Term by giving 7 days' written notice to Lee's International, and repayment shall then be made on this earlier date as specified in such written notice.

LOAN AGREEMENT

Date 28 May 2018

Parties (1) Zhaoke Pharmaceutical GZ, a wholly owned subsidiary of the Company, as lender; and
(2) Zhaoke Guangzhou, as borrower.

Subject Matter

Zhaoke Pharmaceutical GZ and Zhaoke Guangzhou entered into the Loan Agreement, pursuant to which Zhaoke Pharmaceutical GZ agree to advance the Loan in the principal amount of RMB3,700,000 to Zhaoke Guangzhou at an interest rate of 5% per annum. The term of the Loan shall be one year commencing from the Loan Advance Date.

Principal amount of the Loan

RMB3,700,000

Interest rate

The rate of interest applicable to the Loan shall be 5% per annum, which is determined with reference to the prevailing interest rate in the market.

Drawdown

The Loan shall be drawn on the Loan Advance Date.

Term

Subject to early repayment as provided under the Loan Agreement, the term of the Loan shall be one year commencing from the Loan Advance Date.

Repayment schedule

Zhaoke Guangzhou shall repay the Loan on the Loan Repayment Date and shall have the right to make early payment of the Loan.

REASONS FOR AND BENEFITS OF THE SHAREHOLDER LOAN AND THE LOAN

COF is held by the Company (through Lee's International) and is treated as an indirect non-wholly owned subsidiary of the Company and is the development arm of oncology products of the Group. Zhaoke Guangzhou is a wholly owned subsidiary of COF. The intended use of the Shareholder Loan and the Loan will be the general working capital of COF Group for the development of new drugs in oncology therapeutic area and the provision of financial assistance will generate additional profit attributable to the Shareholders. As such, the Directors (including the independent non-executive Directors) are of the view that the provision of the financial assistance given by Lee's International and Zhaoke Pharmaceutical GZ for the benefit of COF and Zhaoke Guangzhou respectively will in turn benefit the Group. Therefore, after arm's length negotiation between COF and Lee's International (which is a shareholder of COF), Lee's International agrees to advance a shareholder loan in the principal amount of HK\$5,000,000 at a market interest rate to COF for the Shareholder Loan Term. Accordingly, on 28 May 2018, Lee's International and COF entered into the Shareholder Loan Agreement on the terms set out above. In addition, after arm's length negotiation between Zhaoke Guangzhou and Zhaoke Pharmaceutical GZ (which is a fellow subsidiary of Zhaoke Guangzhou), Zhaoke Pharmaceutical GZ agrees to advance a loan in the principal amount of RMB3,700,000 at a market interest rate to Zhaoke Guangzhou for the Loan Term. Accordingly, on 28 May 2018, Zhaoke Pharmaceutical GZ and Zhaoke Guangzhou entered into the Loan Agreement on the terms set out above. The Shareholder Loan and the Loan were generated from the internal resources of the Group.

The Directors (including the independent non-executive Directors) considered that the Shareholder Loan Agreement and the Loan Agreement, which have been entered into after arm's length negotiation between Lee's International and COF and Zhaoke Pharmaceutical GZ and Zhaoke Guangzhou respectively, are not in the ordinary and usual course of business of the Group but are on normal commercial terms and the terms therein are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi, all are executive Directors and substantial Shareholders, are indirectly (through PCH, COF and Zhaoke Oncology) interested in the issued share capital of COF and the equity interests of Zhaoke Guangzhou. As a result, all of Ms. Leelalertsuphakun Wanee, Ms. Lee Siu Fong and Dr. Li Xiaoyi are considered to have a material interest in the transactions contemplated under the Shareholder Loan Agreement and the Loan Agreement and are required to abstain, and have abstained, from voting on the relevant Board resolutions to approve the Shareholder Loan Agreement and the Loan Agreement. Save for the above, no Director has a material interest in the transactions contemplated under the Shareholder Loan Agreement or the Loan Agreement and none of them is required to abstain or has abstained from, voting on the relevant Board resolutions to approve the Shareholder Loan Agreement or the Loan Agreement.

INFORMATION OF LEE'S INTERNATIONAL, COF, ZHAOKE PHARMACEUTICAL GZ AND ZHAOKE GUANGZHOU

Lee's International was incorporated in the British Virgin Islands and its principal business activity is investment holding.

COF was incorporated in the British Virgin Islands and is currently carrying on the business in, inter alia, developing of oncology-focused pharmaceutical products.

Zhaoke Pharmaceutical GZ was incorporated in the PRC and is principally engaged in trading of pharmaceutical products.

Zhaoke Guangzhou was incorporated in the PRC and is principally engaged in development of pharmaceutical products.

GENERAL INFORMATION OF THE GROUP

The Group is a research-driven and market-oriented biopharmaceutical company focused on the PRC market. Through its operating subsidiary in the PRC, the Group develops, manufactures and markets proprietary pharmaceutical products in the PRC. It has established a sale and distribution network for pharmaceuticals covering most provinces and cities in the PRC, marketing both self-developed products and licensed products from abroad.

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As at the date of this announcement, COF is a non-wholly owned subsidiary of the Company which was owned as to 65% by Lee's International (a wholly owned subsidiary of the Company) and 35% by PCH, which is a connected person of the Company. As PCH exercises and controls 10% or more of the voting power of COF, COF is a connected subsidiary of the Company under the Listing Rules. Accordingly, the Shareholder Loan advanced by Lee's International to COF and the Loan advanced by Zhaoke Pharmaceutical GZ to Zhaoke Guangzhou, a wholly owned subsidiary of COF, will constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The highest applicable percentage ratio for the provision of the Shareholder Loan by Lee's International, the Loan by Zhaoke Pharmaceutical GZ and the Previous Financial Assistance made by the Company (through its subsidiaries), on a standalone and on an aggregated basis, does not exceed 5%. Therefore, in accordance with Rule 14A.76(2) of the Listing Rules, the provision of the Shareholder Loan by Lee's International and the Loan by Zhaoke Pharmaceutical GZ are only subject to the reporting and announcement requirements and are exempt from the circular (including independent financial advice) and shareholders' approval requirements of the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Advance Date”	the date when the Shareholder Loan is drawn down by COF within the Availability Period
“Availability Period”	a period of one month commencing from the date of the Shareholder Loan Agreement
“Board”	the board of Directors
“COF”	China Oncology Focus Limited, a company incorporated in the British Virgin Islands
“COF Group”	COF and its subsidiaries
“Company”	Lee's Pharmaceutical Holdings Limited, a company incorporated in the Cayman Islands with limited liability with its issued shares listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning as ascribed under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Lee's International”	Lee's Pharmaceutical International Limited, a company incorporated in the British Virgin Islands

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan in the principal amount of RMB3,700,000 advanced by Zhaoke Pharmaceutical GZ to Zhaoke Guangzhou under the Loan Agreement
“Loan Advance Date”	28 May 2018
“Loan Agreement”	the loan agreement dated 28 May 2018 entered into between Zhaoke Pharmaceutical GZ and Zhaoke Guangzhou
“Loan Repayment Date”	the date on which the Loan is repaid in accordance with the terms of the Loan Agreement
“Loan Term”	the term of the Loan, which shall be one year commencing from the Loan Advance Date
“percentage ratios”	has the meaning as ascribed under the Listing Rules
“Previous Financial Assistance”	the shareholder loan in the principal amount of HK\$10,000,000 made by Lee’s International to COF under the loan agreement dated 13 June 2016 (as amended by the supplemental agreement dated 13 June 2017) entered into between Lee’s International and COF; the loan in the principal amount of RMB1,300,000 made by Zhaoke Pharmaceutical GZ to Zhaoke Guangzhou under the loan agreement dated 6 December 2017 entered into between Zhaoke Pharmaceutical GZ and Zhaoke Guangzhou; and the extended shareholder loan in the aggregate principal amount of HK\$12,000,000 advanced by Lee’s International to COF under the supplemental agreement dated 24 April 2018 entered into between Lee’s International and COF
“PCH”	Perfect Concept Holdings Limited, a company incorporated in Hong Kong
“PRC”	the People’s Republic of China

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holder(s) of the shares of the Company
“Shareholder Loan”	the shareholder loan in the principal amount of HK\$5,000,000 advanced by Lee’s International to COF under the Shareholder Loan Agreement
“Shareholder Loan Agreement”	the shareholder loan agreement dated 28 May 2018 entered into between Lee’s International and COF
“Shareholder Loan Repayment Date”	the date on which the Shareholder Loan is repaid in accordance with the terms of the Shareholder Loan Agreement
“Shareholder Loan Term”	the term of the Shareholder Loan, which is one year commencing from the Advance Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhaoke Guangzhou”	Zhaoke (Guangzhou) Oncology Pharmaceutical Limited, a company incorporated in the PRC
“Zhaoke Oncology”	Zhaoke (Hong Kong) Oncology Pharmaceutical Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of COF
“Zhaoke Pharmaceutical GZ”	Zhaoke Pharmaceutical (Guangzhou) Limited, a company incorporated in the PRC
“%”	per cent

By order of the Board of
Lee’s Pharmaceutical Holdings Limited
Lee Siu Fong
Chairman

Hong Kong, 28 May 2018

* *For identification purpose only*

As at the date of this announcement, Ms. Lee Siu Fong (Chairman), Ms. Leelalertsuphakun Wanee and Dr. Li Xiaoyi are executive Directors, Mr. Simon Miles Ball is a non-executive Director, Dr. Chan Yau Ching, Bob, Mr. Lam Yat Cheong and Dr. Tsim Wah Keung, Karl are independent non-executive Directors.